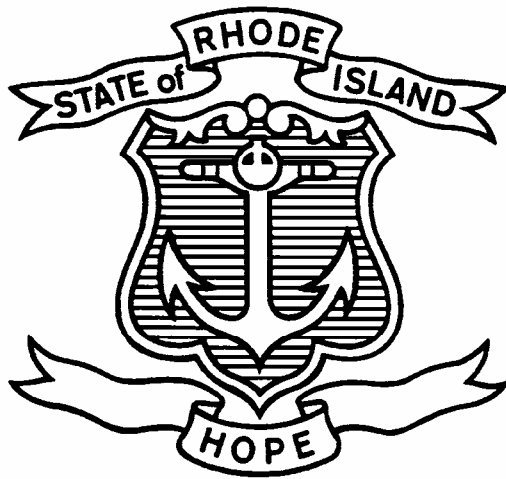


# **Governor's Fiscal Fitness Program Annual Report**



## **Implementation Details - Year 1**

March 1, 2005

## Upper Lever Table of Contents

Introduction .....	1
Smarter Buying.....	3
Consolidations and Reorganizations .....	5
Improved Monitoring and Revenue Collection .....	10
Better Customer Service, Tighter Controls and Lower Costs.....	14
Work in Progress .....	16
Presently Deferred.....	22

## Detailed Table of Contents

Introduction.....	1
Smarter Buying .....	3
Health Insurance and Pharmaceutical Costs .....	3
Enter a Pharmacy Preferred Provider Network .....	3
Control Maximum Allowable Cost.....	3
Add Rebates to Health Plan Design.....	3
Competitively Bid Health Coverage Administrative Fees.....	3
Competitively Bid Vision Coverage Administrative Fees.....	3
Improve Eligibility Monitoring for Benefits Coverage .....	3
Save Employees Money on Life Insurance Rates.....	3
Labor Negotiations.....	4
Health Coverage Cost Sharing.....	4
Negotiate Health Plan Design Components.....	4
Improve Use of Master Price Agreements.....	4
Require Competitive Bidding for Consultants, Architects, and Engineers .....	4
Information Technology Consultants .....	4
Reduce Telecommunications Expenses.....	4
Telecommunications Audit.....	4
Reduce 411 Usage.....	5
Legislative Changes .....	5
Allow Competition through Reverse Auctions.....	5
Consolidations and Reorganizations.....	5
Consolidate Information Technology .....	5
Consolidate Johnston Mainframe .....	5
Transfer of GIS to CIO .....	5
Consolidate Human Resources .....	6
Downgrade Personnel Appeal Board.....	6
Reorganize Training & Development.....	6
Eliminate Level 3 Grievance Hearings .....	6
Reorganize Merit Selection.....	6
State Employee Workers Compensation Reorganization .....	6
Consolidate Facilities Management and Capital Development.....	6
Surplus Property.....	7
Hire Architects and Drafters .....	7

## Fiscal Fitness Status Report for 2004 - Project Details

Zambarano Power Plant.....	7
Consolidate Legal Services.....	7
Elevate Statewide Planning.....	7
Elevate Library Services.....	8
Consolidate Select Functions into Budget Office.....	8
Eliminate Financial Management Project Administrator .....	8
Reorganization the Department of Labor and Training.....	9
Reorganization of the Department of Business Regulation.....	9
Merge Banking and Securities Divisions.....	9
Reorganization of the Department of Environmental Management (DEM) .....	9
Streamline Department of Mental Health Retardation and Hospitals .....	9
Reorganization of the Department of Transportation .....	9
Streamline the Department of Health .....	10
Office of Health and Human Services – Secretariat .....	10
Centralize Patient Accounts.....	10
<b>Improved Monitoring and Revenue Collection .....</b>	<b>10</b>
Medicaid Maximization.....	10
Improve Eligibility Monitoring.....	11
Centralize and Strengthen Estates and Collections.....	11
Create School Nutrition Program Efficiencies .....	11
Reduce Overtime .....	11
Eleanor Slater Hospital .....	11
Improve Mail Delivery .....	12
Certified Mail.....	12
Standardize Mail Piece Design .....	12
License and Registration Renewals Require Tax Clearance .....	12
Increase Revenue Officers .....	12
Increase Field Auditors .....	12
Increase Select Fees .....	12
Department of Environmental Management.....	12
Department of Business Regulation.....	13
Office of Health and Human Services .....	13
Teacher Certification .....	13
Road Access Permit Fees.....	13
Release Estate Lien Fees.....	13
Require Annual Tobacco Dealers License Renewal.....	13
Charge Cigarette Sales Tax to Distributors .....	14
Consolidate Pharmacy Purchasing.....	14
Hone Emergency Room Rates to Reflect Treatment Cost.....	14
<b>Better Customer Service, Tighter Controls and Lower Costs .....</b>	<b>14</b>
Improve Staff Development in Human Services .....	14
Reorganize Long Term Care.....	15
Improve Child Support Processes.....	15
Direct Deposit of Child Support Payments.....	15
Mail Initial Court Summons .....	15
Use Alternate Process for Order Establishment.....	16
Electronically Download Daily Bank Files .....	16

## Fiscal Fitness Status Report for 2004 - Project Details

Eliminate Unfunded Property Tax Relief .....	16
Improve Access to Criminal Background Checks .....	16
Videoconferencing .....	16
<b>Work in Progress .....</b>	<b>16</b>
Consolidation of Professional Licensing Functions .....	16
Hire Tradespeople .....	17
Correctional Facilities - Consolidate Women's Prisons .....	17
Create the Office of Chief Financial Officer .....	17
E-mail Consolidation .....	17
Consolidate Computer Helpdesks .....	17
Statewide Server Consolidation .....	18
Process Mail Barcode In-house .....	18
Consolidate/Improve Mail Delivery Service .....	18
Consolidate Mail Rooms .....	18
Improve Discharge Planning for Psychiatric Hospital Services .....	18
Enforce Five-year Maximum for Temporary Assistance to Needy Families .....	18
Reduce Formal Hearings .....	19
Move a Portion of Adults to Managed Care .....	19
Create a Single Contract and Service Procurement Office .....	19
Children's Behavioral Health .....	19
Field Operations .....	20
Reduce Medicaid Funded Adult Psychiatric Hospitalization .....	20
Consolidate Workforce Investment Boards .....	20
Reduce Overtime Costs .....	20
Department of Children, Youth, and Families .....	20
Department of Transportation .....	21
Consolidate Water Functions .....	21
EZ Pass .....	21
Automate Collection of Real Estate Data for State Aid .....	21
Records Retention .....	22
Consolidate Collection & Audit Functions .....	22
Close NetWORKri Office .....	22
MBE, EOO, O&D Reorganization .....	22
<b>Presently Deferred .....</b>	<b>22</b>
Move Select Agencies from Leased Space to State-Owned Property .....	22
Create a Department of Homeland Security .....	23
Create a Department of Public Safety .....	23
Transfer Aerial Photos to State Archives .....	23
Transfer Police-Fire Relief Fund to State Treasurer .....	24
Comply with Federal Pass-through Payment Requirement in Human Service Program .....	24
Transfer Employee Services .....	24

# Fiscal Fitness Status Report for 2004 - Project Details

## Introduction

This report details the progress of each of the projects in Governor Carcieri's Fiscal Fitness Program. The report contains a brief description of each idea, its' status relative to implementation, and any savings associated with the idea.

### Implementation Status

**To date, 77 of the 146 ideas in the Fiscal Fitness portfolio either have been implemented or are in the implementation process (53%).** Each idea in this report is color coded to indicate status:

- The idea has been implemented. To date, 52 ideas have been implemented (36%).
- Implementation is on going. In most cases, completion is dependant upon legislative approval, personnel/labor issues, or working through issues with other branches, offices, levels of government; 25 ideas are in the process of being implemented (17%)
- Ideas are under further review or implementation plans are being developed. Approved plans will be implemented in late FY 2006 or 2007; 60 ideas are in this category (41%).
- The idea has been rejected.

### First Year of Implementation

Since its beginning in early 2004, Fiscal Fitness projects have saved \$28.1 million dollars for the state. By the end of the current fiscal year (June 30, 2005) projected savings will total \$45.3 million. This includes both actual reductions to the state budget and a smaller amount attributable to initiatives that served to "avoid" expenditures that would otherwise have been necessary.

For Fiscal Year 2006, we are projecting an additional \$59.6 million dollars in savings, as completed projects take hold and new ones come on line. In addition, we have negotiated contracts that will yield savings of \$23.9 million extending into Fiscal Year 2007 and beyond. These include our new state employee health care contract and several business related contracts for office supplies, telecommunications, computers and motor vehicles

### **Savings Summary**

● Savings through 2/28/05	<b>\$ 28,100,000</b>
● Additional savings projected through 6/30/05	<b>\$ 17,200,000</b>
● Savings projected for FY 2006 *	<b>\$ 59,600,000</b>
● <u>Savings contracted for FY 07 and beyond</u>	<b><u>\$ 23,900,000</u></b>
● <b>TOTAL SAVINGS</b>	<b>\$128,800,000</b>

\* Includes \$14.5 million in new initiatives subject to General Assembly approval.

### Looking Ahead - Years Two and Three

We can look ahead to additional savings in years two and three of Fiscal Fitness implementation. We have several projects just underway which, when fully implemented, will generate an additional \$34.1 million in savings annually. Then the next set of projects - awaiting implementation - will bring in another \$31.1 million.

There are also over \$50 million worth of savings tied to projects that will require some union contract or legislation changes. Fiscal Fitness hopes to enjoy the continued support of the General Assembly in order to achieve over \$7 million in savings. Fiscal Fitness also needs the cooperation of the state employee

## Fiscal Fitness Status Report for 2004 - Project Details

labor unions to move forward on projects that will realize over \$47 million in savings for the taxpayers of Rhode Island.

### **Additional Savings Projected for FYs 2007 and 2008**

• <b>Projects Underway</b>	<b>\$ 34,100,000</b>
• <b>Projects implemented Years 2 and 3</b>	<b>\$ 31,100,000</b>
• <b>Projects Pending legislative changes</b>	<b>\$ 7,300,000</b>
• <b><u>Projects Pending Labor Issues</u></b>	<b><u>\$ 47,600,000</u></b>
• <b>TOTAL</b>	<b>\$120,100,000</b>

### Smarter Buying

#### Health Insurance and Pharmaceutical Costs

##### Enter a Pharmacy Preferred Provider Network

- **Savings through 2/28/05: \$1,072,000**

**Additional Savings through 6/30/05: \$268,000**

The Division of Human Resources worked with the former insurance provider to change the network and to save pharmacy costs.

##### Control Maximum Allowable Cost

- **Savings through 2/28/05: \$400,000**

**Additional Savings through 6/30/05: \$200,000**

The State has mandated a quarterly review of the maximum allowable cost (MAC) list to ensure that the State is paying a competitive price for pharmaceutical products. In many instances, the State was paying higher prices for pharmaceuticals.

##### Add Rebates to Health Plan Design

- **Additional Savings through 6/30/05: \$166,666**

**FY 2006: \$1,000,000 budgeted**

As a result of the Request for Proposals and the change in the health care providers there were savings projected from the rebate structure under the new contract. The state will get a guaranteed savings of \$4.50 of the per member per month rate.

##### Competitively Bid Health Coverage Administrative Fees

- **Savings through 2/28/05: \$820,000**

**Additional Savings through 6/30/05: \$1,299,998**

**FY 2006: \$7,000,000 budgeted**

The state renegotiated its Health Coverage and selected a new insurance provider; the three-year, projected savings with the new contract is \$25.3 million.

##### Competitively Bid Vision Coverage Administrative Fees

- **Savings through 2/28/05: \$12,750**

**Additional Savings through 6/30/05: \$4,251**

**FY 2006: \$17,000 cost avoidance**

A rate reduction for vision care took effect in January 2005. The vision plan is to be rebid in 2005. Additional savings are expected as a result of a new contract.

##### Improve Eligibility Monitoring for Benefits Coverage

- **FY 2006: \$70,000 cost avoidance**

The new employee health care contract will update eligibility status in real-time, so that we no longer pay premiums for non-eligible employees.

##### Save Employees Money on Life Insurance Rates

- **Savings through 2/28/05: \$820,417**

**Additional Savings through 6/30/05: \$298,332**

**FY 2006: \$895,000 savings to employees**

Two rate reductions were negotiated with the State's life insurance carrier last year. Employees covered by the policy realized the savings achieved.

## Fiscal Fitness Status Report for 2004 - Project Details

### Labor Negotiations

#### Health Coverage Cost Sharing

- **Savings through 2/28/05: \$403,666**

**Additional Savings through 6/30/05: \$230,715**

**FY 2006: \$1,733,860 budgeted** (non-union, classified employees only)

Employee cost sharing of health care coverage has been implemented for non-union, classified employees under the jurisdiction of the Governor. Unclassified non-union positions are pending a hearing before the Unclassified Pay Plan Board. The Department of Administration is in negotiations with the unions.

#### Negotiate Health Plan Design Components

- A study of the State's current health plan revealed that making several changes to the design of the plan would result in substantial cost savings, e.g. increasing employee co-pay. The figure quoted represents the reduction in costs resulting from recommended plan changes. This idea is currently in negotiations with labor.

### Improve Use of Master Price Agreements

- **Savings through 2/28/05: \$1,204,254**

**Additional Savings through 6/30/05: 602,128**

**Projected FY 2006: \$3,423,096 budgeted**

A private vendor conducted an analysis of state government's spending practices and helped renegotiate lower rates for master price agreements in ten areas including: office supplies; telecommunications; computer hardware; copiers; vehicles; waste disposal; and medical, maintenance, janitorial, and laboratory supplies. The current budget has been adjusted in these areas to reflect the lower prices and is net of the one-time, vendor payment. Total savings from these contracts is expected to exceed \$8 million.

### Require Competitive Bidding for Consultants, Architects, and Engineers

- **Savings through 2/28/05: \$780,000**

**Additional Savings through 6/30/05: \$60,000**

**FY 2006: \$530,000 cost avoidance**

The practice has been to solicit technical proposals from architects and design professionals to perform discrete projects without requiring submission of cost proposals. Cost proposals are now included and considered in the evaluation process. Significant reductions in the cost of design services have resulted from this more competitive process.

#### Information Technology Consultants

- **Savings through 2/28/05: \$248,333**

**Additional Savings through 6/30/05: \$22,667**

**FY 2006: \$700,000 cost avoidance**

A new Master Price Agreement has been implemented with redefined roles, rates, and legal terms and conditions. Approval for procuring consultants has been centralized within the Department of Information Technology, resulting in better resource management and clearly defined work to be delivered. A competitive bid process has been initiated and used six times to date.

### Reduce Telecommunications Expenses

#### Telecommunications Audit

- **Savings through 2/28/05: \$18,320**

**Additional Savings through 6/30/05: \$9,160**



## Fiscal Fitness Status Report for 2004 - Project Details

### **FY 2006: \$27,480 cost avoidance**

An internal audit of unused phone and data lines at the State's major facilities is complete, and unused lines have been disconnected. Additional savings will be realized with the completion of a billing audit and reconciliation in FY 2006 or FY 2007.

### Reduce 411 Usage

- **Savings through 2/28/05: \$29,910**

**Additional Savings through 6/30/05: \$9,152**

**FY 2006: \$54,910 cost avoidance**

Dial-up directory information services have been blocked except for those State employees with specific job needs such as caseworkers. The number of directory assistance calls has been reduced by two thirds.

## Legislative Changes

### Allow Competition through Reverse Auctions

- A reverse auction is a real-time, online bidding process used to assure the best possible price for goods and services that may be required by the State. While a standard auction drives the price up until the highest bidder wins, a reverse auction lowers the price as bidders continuously compete for a share of the State's purchases. The result is that the State can capture the best open market pricing for the specified goods. The Governor is submitting legislation to enable the Division of Purchases to utilize reverse auctions.

## Consolidations and Reorganizations

### Consolidate Information Technology

- **Savings through 2/28/05: \$1,357,124**

**Additional Savings through 6/30/05: \$384,296**

**FY 2006: \$1,225,057 budgeted** (attrition savings through department budgets)

The Division of Information Technology (DOIT) was created by Executive Order last spring. Management level staff, throughout the executive agencies, has been centralized, now reporting to DOIT. The consolidation has allowed for more efficient use of resources, consistent processes, and increased leverage of common technology infrastructure. There was an additional **cost avoidance savings of \$800,000** in hardware purchases due to the new organization.

### Consolidate Johnston Mainframe

- **Savings through 2/28/05: \$46,333**

**Additional Savings through 6/30/05: \$26,476**

**FY 2006: \$79,428 cost avoidance**

The original idea had been to eliminate one of the operating systems on the mainframe. After further analysis of the original Fiscal Fitness proposal, the Division of Information Technology (DOIT) decided to replace the existing mainframe and to continue to run two operating systems but at a lower cost for maintenance. The original net cost savings is lower than estimated; however, the new machine is much larger and enables DOIT to retire other machines, which will ultimately result in higher than estimated cost savings.

### Transfer of GIS to CIO

- Transfer only no savings estimated

The Rhode Island Geographic Information System (RIGIS) is dependent on technical computer applications. It has been transferred from the Statewide Planning Program to the Division of Information Technology to better coordinate use of information by all departments.

### Consolidate Human Resources

- **Savings through 2/28/05: \$985,673**

**Additional Savings through 6/30/05: \$394,277**

**FY 2006: \$1,073,555 budgeted** (attrition savings through department budgets)

Before Fiscal Fitness nearly all Human Resource functions were separately established and maintained by individual agencies. The Governor created a centralized Human Resources Division last year pursuant to this Fiscal Fitness recommendation. The statewide consolidation of these services will reduce costs and make the application of rules and contract provisions consistent across departments. Four shared service centers will service a grouping of agencies. Reorganization, combined with implementation of best business practices, economies of scale, standardized practices, automation of tasks, and streamlining supervisory and support staff structures, will allow the State to save personnel costs while delivering improved employee service. The Governor would like to complete this idea in FY 06.

### Downgrade Personnel Appeal Board

- **Savings through 2/28/05: \$60,046**

**Additional Savings through 6/30/05: \$14,288**

**FY 2006: \$3,392 cost avoidance**

The duties of the position assigned to support the Chairman of the Personnel Appeal Board have been evaluated and, as a result, the position was downgraded to a lower paid classification with a reduced workweek.

### Reorganize Training & Development

- **Savings through 2/28/05: \$136,411**

**Additional Savings through 6/30/05: \$49,604**

**FY 2006: \$95,641 budgeted**

The Office of Training & Development (OTD) staff has been reduced by 2 positions through attrition. The idea to create a statewide training agenda, as defined by an advisory board consisting of agency representatives, is scheduled for implementation.

### Eliminate Level 3 Grievance Hearings

- The State is working to eliminate a redundant appeal level for grievances.

### Reorganize Merit Selection

- **Savings through 2/28/05: \$365,930**

**Additional Savings through 6/30/05: \$133,065**

**FY 2006: \$399,196 cost avoidance**

This idea is substantially complete. Three units: Administrative services, Merit Selection and Classification and Compensation, were merged into a new Office of Classification and Examination. Teams have been established to more efficiently support the agencies and the proposed service center structure. There were 5 positions eliminated through attrition.

### State Employee Workers Compensation Reorganization

- **Savings through 2/28/05: \$163,732**

**Additional Savings through 6/30/05: \$75,221**

**FY 2006: \$225,665 cost avoidance**

Some savings have been realized through attrition.

### Consolidate Facilities Management and Capital Development

- **Savings through 2/28/05: \$634,756**

**Additional Savings through 6/30/05: \$230,418**

**FY 2006: \$314,276 budgeted** (attrition savings through department budgets)

## Fiscal Fitness Status Report for 2004 - Project Details

The Governor created the Division of Facilities Management and the Division of Capital Projects and Property Management within the Department of Administration by Executive Order. Personnel savings are being realized through attrition. New organizational structures have been created for both of these divisions, which allow for better customer service. The next phase of the consolidation will result in the flexibility to better align staff with needs across the State.

### Surplus Property

- **Savings through 2/28/05: \$1,026,780**

Fiscal Fitness identified a number of “surplus” properties that the State could sell. One such property at the Port of Providence has been sold. Additionally, the Administration is in the process of creating a comprehensive, accurate map of all of the State's real estate holdings. This electronic map is part of a geographic information system that will allow for analysis of property values for State purposes.

### Hire Architects and Drafters

- **Savings through 2/28/05: \$22,085**

**Additional Savings through 6/30/05: \$25,240**

**FY 2006: \$75,720 cost avoidance**

The State annually contracts for architect and design services to perform routine design tasks such as roof repairs, window replacements, and HVAC upgrades. Moving from contracted services to hiring state employees will save money and build internal expertise. The Division of Capital Development has recently hired an architect consistent with this recommendation.

### Zambarano Power Plant

- **Savings through 2/28/05: \$74,000**

**Additional Savings through 6/30/05: \$37,000**

**FY 2006: \$111,000 cost avoidance**

The power plant at the Zambarano Hospital has been partially renovated which has allowed some staff to be reassigned. Additional automation is planned.

### Consolidate Legal Services

- **Savings through 2/28/05: \$157,904**

**Additional Savings through 6/30/05: \$212,317**

**FY 2006: \$737,464 budgeted** (attrition savings through department budgets)

In August 2004, Governor Carcieri signed an Executive Order creating a new Division of Legal Services within the Department of Administration in order to provide more effective and proficient use of legal resources within State government. The Division is comprised of six central practice groups including: Administrative Law, Corporate Law, Labor/Employment Law, Legislation and Legal Support, Child Support Enforcement, and Administrative Adjudication.

In addition, the new Division is responsible for the management, coordination, and development of all legal staff and resources within the Executive Branch of government. There will be several direct benefits from this new organization. There will be less reliance on outside legal counsel, which currently exceeds \$2 million annually. Certain duties performed by attorneys will be shifted to less costly paralegals and support staff. There will be more consistent interpretation of laws and application of penalties and fees. Attorneys, hearing officers, and legal support staff can now be assigned to different agencies where needed.

### Elevate Statewide Planning

- **Savings through 2/28/05: \$411,105**

**Additional Savings through 6/30/05: \$347,232**

**Projected FY 2006: \$203,585 cost avoidance**

## Fiscal Fitness Status Report for 2004 - Project Details

The Fiscal Fitness program recommended creating the Statewide Planning Program "Chief Planning Officer" position to improve coordination with the Governor's Policy Office and other departments. The new, elevated Program will be held responsible for ensuring that departmental planning activities are well coordinated. In February, the Governor announced the reestablishment of the Division of Planning, to be headed by an Associate Director for Planning. This new division would consolidate Statewide Planning, Strategic Planning, and select units from Municipal Affairs. A new Office of Housing and Community Development will also be included. There were staff savings associated with these mergers; however, these were applied to new staff to implement new housing legislation.

The original analysis of the Office of Municipal Affairs recommended sending several functions performed by this group to the Economic Development Corporation. On further analysis, it was decided that it would be better to merge these functions in the new Office of Housing and Community Development. Functions included:

- *Community Planning*
- *Economic Planning*
- *Municipal Assistance Functions*
- *Local Government Assistance*
- *Community Development Block Grant and AG Grants*
- *Transfer Shelter Grant Administration to Department of Human Services*

### Elevate Library Services

- Transfer only no savings estimated

The formal separation of the Office of Library and Information Services (OLIS) and the Division of Information Services will result in the strengthening of library programs by refocusing on their objective of improving library services to the residents of the State and State government.

### Consolidate Select Functions into Budget Office

- Transfer only no savings estimated

The general revenue sharing programs disburse a portion of the taxes collected by the State to cities and towns. The Budget Office currently sets the amount to be shared. Municipal Affairs inputs data from cities and towns into a disbursement formula and then sends the information back to the Budget Office for review and disbursement. All of the programs involving revenue sharing with local communities should reside in the Budget Office. It is not an efficient process to flip-flop this information back and forth between Municipal Affairs and the Budget Office. Recommendation:

- *Transfer Enforcement of 5.5% Property Tax Cap to Budget Office*
- *Transfer Administration of Vehicle Tax Phase Out Program to Budget Office*
- *Consolidate State Aid PILOT (Payment in Lieu of Taxes) to Budget Office*
- *Transfer Distressed Communities Payment Function to Budget Office*
- *Transfer General Revenue Sharing Functions to Budget Office*
- *Transfer Public Service Corporation Tax to Budget Office*

### Eliminate Financial Management Project Administrator

- **Savings through 2/28/05: \$22,806**  
**Additional Savings through 6/30/05: \$46,612**  
**FY 2006: \$136,835 cost avoidance**

The project director for the State's business software, RISAIL, retired. Existing Information Technology staff will assume duties of the administrator.

### Reorganization the Department of Labor and Training

- **Savings through 2/28/05: \$772,297**  
**Additional Savings through 6/30/05: \$220,656**  
**FY 2006: \$675,236 budgeted**

The Department of Labor has made significant progress using attrition to reduce management overhead at the department.

### Reorganization of the Department of Business Regulation

- **Savings through 2/28/05: \$20,642**  
**Additional Savings through 6/30/05: \$41,283**  
**FY 2006: \$137,277 budgeted**

The Department of Business Regulation's numerous divisions create an expensive management group and make it more difficult to coordinate similar functions within Department. This Fiscal Fitness recommendation called for merging divisions and reducing unnecessary management. The Department has made some progress using an attrition model. For example, the Associate Director of Racing and Athletics retired last December providing the ability to merge that division with the Division of Commercial Licensing.

### Merge Banking and Securities Divisions

- These two divisions have been merged; savings will be achieved through attrition.

### Reorganization of the Department of Environmental Management (DEM)

- **Savings through 2/28/05: \$46,644**  
**Additional Savings through 6/30/05: \$31,832**  
**FY 2006: \$95,496 budgeted**

DEM has begun implementing a number of changes to its organizational structure that will result in a more streamlined agency. The changes are consistent with the initial Fiscal Fitness findings and recommendations, which found that DEM's upper management structure could not adequately support accountability along functional lines (such as permit issuance) throughout the various programs of air, water, and solid waste, etc. At the same time the agency supported many separate programs with similar missions, goals, and management structures. Fiscal Fitness recommended streamlining management structures and reorganizing functions relating to permitting programs and natural resources. DEM then proposed a number of cost-saving changes that met the goals of Fiscal Fitness. Savings will continue to come primarily through attrition from upper management. The resulting program consolidations will allow for improved coordination among environmental programs. A preliminary plan to improve customer service, submitted by DEM, is currently under review for consistency with statewide environmental policy and Fiscal Fitness priorities.

### Streamline Department of Mental Health Retardation and Hospitals

- Two Divisions within MHRH: The Eleanor Slater Hospital (ESH) and the Division of Behavioral Health Care (DBH) each have two direct lines of 1:1 reporting at the senior level. This is not best management practice and places an unnecessary distance between top-level managers and staff.

### Reorganization of the Department of Transportation

- **Savings through 2/28/05: \$671,317**  
**Additional Savings through 6/30/05: \$674,117**  
**FY 2006: savings offset by increased staffing for GARVEE Program**

Several steps could be taken to improve DOT's efficiency. Three DOT divisions are separately responsible for administrative functions of the department. The ratio of supervisors and managers to workers is very low for some sections of the department. Several divisions duplicate functions that

## Fiscal Fitness Status Report for 2004 - Project Details

could be centralized. Work can be reassigned to lower payroll and consultant costs. The reorganization of the department is in progress and has allowed for the reduction in the personnel at the department through attrition.

### Streamline the Department of Health

- **Savings through 2/28/05: \$168,700**  
**Additional Savings through 6/30/05: \$79,256**  
**FY 2006: \$197,000 cost avoidance**

The Department of Health has begun reorganizing its management structure. Additional savings will be achieved through attrition.

### Office of Health and Human Services – Secretariat

- In March of 2004, Governor Carcieri signed an Executive Order creating the Office of Health and Human Services (OHHS) for the purpose of facilitating cooperation and coordination among the five State agencies administering Rhode Island's health and social service programs: the Department of Children, Youth and Families; the Department of Elderly Affairs; the Department of Human Services; the Department of Mental Health, Retardation and Hospitals; and the Department of Health.

The department directors and the managing director of OHHS have collaborated to develop a vision and mission statement and outline the general areas of responsibility. This effort resulted in the creation of an organizational structure that outlines the OHHS' core functions: policy and planning; budget and finance; communication; administration and core functions; and legal, legislative, and governmental affairs. The directors and managing director further collaborated in developing legislation to create the Secretariat, which has been submitted as a budget article in the FY 2006 budget.

Workgroups were formed that mirror the core functions outlined. Following their charge to review current practices and resources within the departments, each workgroup produced a report identifying areas for further coordination and collaboration. The directors approved this report.

### Centralize Patient Accounts

- Three different divisions within MHRH currently manage patient Benefits and Accounts. Patient Benefits and Accounts should be consolidated or coordinated across the divisions in order to standardize practices and achieve savings through enhanced staffing patterns. This effort targeted a reduction of 8.8 FTEs.

The Fiscal Fitness Implementation Team has met regularly with MHRH to review the process and rational for the idea. MHRH conducted internal meetings with appropriate staff, including human resource staff, and submitted a work plan (12/04) to the OHHS leadership for review. The plan, which was accepted, calls for a reduction of six FTEs with the possibility of two additional FTEs. MHRH is currently working with their human resource office to develop a more detailed implementation plan with timelines. Savings will be realized in FY 2006 through attrition.

## Improved Monitoring and Revenue Collection

### Medicaid Maximization

- **Savings through 2/28/05: \$6,114,474**  
**Additional Savings through 6/30/05: \$7,258,961**  
**FY 2006: \$9,479,735 budgeted**

In early 2004, at the request of the fiscal fitness team, DHS issued a Medicaid Maximization RFP to solicit an array of cost containment, cost improvement, and revenue maximization strategies to reduce



## Fiscal Fitness Status Report for 2004 - Project Details

reliance on high-cost services and substitute federal and other sources of funding for State general revenues. Specific target areas for cost improvement selected by the vendors included comprehensive third party liability recovery, overpayment detection, and claim check review.

Some of the Medicaid Maximization target ideas did not yield the level of savings estimated. However, DHS is pursuing several alternative strategies to achieve Medicaid savings. To date, DHS has made gains in third party liability collections by determining that there exists alternative insurance coverage for Medicaid claims and cost avoidance savings for inappropriate claims submissions. There has also been savings achieved through the claim check review process; inappropriate claims that were the responsibility of a non-custodial parent were identified.

### Improve Eligibility Monitoring

- **Savings through 2/28/05: \$1,273,000**  
**Additional Savings through 6/30/05: \$627,000**  
**FY 2006: \$2,800,000 budgeted**

In the past, DHS had no mechanism to monitor recipient fraud or abuse of the Medical Assistance or Child Care programs. The fraud and abuse efforts of the DHS needed to be expanded to include review of both programs. The Fiscal Fitness team suggested that savings will result from assuring that clients are actually eligible for benefits and are entitled to continue with their services. To monitor eligibility, the Front End Detection Program (FRED), was expanded to review and investigate new applications for child-care and Medicaid programs. Under this proposal, referrals for investigation will increase by one-third through increased coordination with field offices. Staff was hired for this program and savings for this idea have already been achieved.

### Centralize and Strengthen Estates and Collections

- **FY 2006: \$1,831,720 budgeted**  
Many of the states adjoining RI require the surviving spouse of a nursing home patient to reimburse the State for the deceased spouse's Medicaid-funded care. Rhode Island has initiated a similar policy that will require DHS to pursue the assets of the surviving spouse of Medicaid funded nursing home recipients. Under this policy, the surviving spouse will not be allowed to transfer a home to a relative or sell the home without reimbursing the State for the deceased spouse's Medicaid funded care. The surviving spouse will not be required to pay the State back until he/she decides to sell their home. The department has submitted a budget initiative for estate recovery to begin in FY 2006.

### Create School Nutrition Program Efficiencies

- **Savings through 2/28/05: \$57,000**  
**FY 2006: \$100,000 budgeted**  
The Department of Elementary and Secondary Education (RIDE) has made several changes in the administration of the school breakfast program. The hourly rate for school breakfast supervisors has been capped at \$10.00/hr., saving the program over \$50,000 to date. The need to hire computer consultants has been reduced by resolution of billing and accounting system conflicts. An expenditure credit system has been implemented to reduce administrative overhead to food program sponsors.

### Reduce Overtime

#### Eleanor Slater Hospital

- **Savings through 2/28/05: \$1,028,317**  
**Additional Savings through 6/30/05: \$364,158**  
**FY 2006: \$778,276 budgeted**

The goal of this idea was to reduce overtime expenditures at Eleanor Slater Hospital by 10%. The idea was originally presented to the Acting Director of MHRH in October of 2003. Immediate steps were

## Fiscal Fitness Status Report for 2004 - Project Details

taken shortly thereafter to begin reviewing requests and authorizing overtime. MHRH is projecting to substantially reach its goal for FY 2005.

### Improve Mail Delivery

#### Certified Mail

- The central mailroom is in the process of analyzing a digital meter and software for automating data collection and reporting. The reporting must meet U.S. Postal Service requirements to enable the State to process certified mail without a return receipt and still have proof of mailing. The information must also meet specifications for the Postal Service website.

#### Standardize Mail Piece Design

- **Savings through 2/28/05: \$1,035**  
**Additional Savings through 6/30/05: \$14,191**  
**FY 2006: \$87,884 cost avoidance**

To improve the State's mailing policies, procedures, and processes, new procedures have been implemented that have dramatically reduced the mail piece rejection rate. There has also been significant progress made on redesigning mail sent out periodically at a reduced rate.

### License and Registration Renewals Require Tax Clearance

- **Savings through 2/28/05: \$4,600,000**  
**Additional Savings through 6/30/05: \$ 2,300,000**  
**FY 2006: \$7,300,000 budgeted**

This idea enables the State to deny licenses to those who owe back taxes. Legislation enabling this idea was submitted by the Governor and passed by the General Assembly. The Division of Taxation issued letters to all delinquent taxpayers alerting them that they would not be able to receive or renew a license. Revenue began to be generated with that letter. In January 2005, the Division of Motor Vehicles came online with the ability to crosscheck tax status and began to implement the law. The Division on Taxation is currently focusing on bringing the retail sales licenses on-line by the end of the Fiscal Year. These two applications will cover virtually all of the delinquent taxpayers within a two-year period. The Division of Taxation is also working with all of the other state agencies that issue licenses to incorporate them into this program.

### Increase Revenue Officers

- **FY 2006: \$500,000 budgeted**  
The Division of Taxation has hired two additional revenue officers to increase tax collection. These new personnel will help bring the level of effort for tax collection up to standard.

### Increase Field Auditors

- **FY 2006: \$560,043 budgeted**  
Field Auditors help the State collect revenue through the assessment and audit of taxes owed. A multi-state analysis demonstrated that Rhode Island was understaffed by a minimum of six positions. The Division of Taxation hired six auditors authorized in the FY 2005 budget. The personnel will initially be dedicated to follow-up on those who owe back taxes that are looking to renew a license, following a two-month training period.

### Increase Select Fees

#### Department of Environmental Management

- **Savings through 2/28/05: \$185,155**  
**Additional Savings through 6/30/05: \$ 92,577**



## Fiscal Fitness Status Report for 2004 - Project Details

### **FY 2006: \$365,795 budgeted**

The Department of Environmental Management has begun increasing select fees that Fiscal Fitness identified as being unusually low. The General Assembly approved fee increases as part of the budget process last year.

### Department of Business Regulation

- **Savings through 2/28/05: \$464,124**

**Additional Savings through 6/30/05: \$ 232,062**

### **FY 2006: \$605,045 budgeted**

The FY 2005 budget included increases for approximately 70 fees at the Department of Business Regulation; changes to existing fee structures were based on the date of last increase, amount of prior increase, and research on fees charged by other states. The Department is in the process of instituting the higher fees.

### Office of Health and Human Services

- **Savings through 2/28/05: \$216,131**

**Additional Savings through 6/30/05: \$108,064**

### **FY 2006: \$386,300 budgeted**

This effort relates to licensing fees assessed in selected program areas by the DCYF, DOH, MHRH and, DEA. Programs administered by the DOH and DCYF will provide the major source of revenue for this effort. DCYF is the only department booked for savings in FY 2005.

DOH has submitted necessary legislative changes to the Governor's Office. Regulatory changes have been initiated, and it is anticipated the process will be completed before the close of FY 2005. DCYF moved to have the necessary law in place for the beginning of FY 2005, completed regulation changes in October, and initiated assessments in November. DCYF has sent out bills for all day care homes that applied for licenses between July and November 2004, when collections began. Internal meetings are being conducted to further assess fire inspection issues that may impact day care centers licensing and to plan next steps as appropriate.

### Teacher Certification

- **Additional Savings through 6/30/05: \$125,000**

### **FY 2006: \$450,000 budgeted**

The Department of Elementary and Secondary Education has increased the teacher certification fees to be more aligned with the other states.

### Road Access Permit Fees

- **FY 2006: \$211,700 budgeted**

Last year the General Assembly approved the recommendation that the fees to provide access onto state roads be increased to at least cover the administrative costs for reviewing the applications. The Department of Transportation has revised the manual, held public hearings, and is in the process of sending the new requirements to the Secretary of State.

### Release Estate Lien Fees

- **Savings through 2/28/05: \$3,509**

**Additional Savings through 6/30/05: \$1,754**

### **FY 2006: \$5,263 cost avoidance**

The fee was increased to \$40 to release a lien against estate property once back taxes had been paid.

### Require Annual Tobacco Dealers License Renewal

- **Additional Savings through 6/30/05: \$74,250**

**FY 2006: \$40,000 cost avoidance**

## Fiscal Fitness Status Report for 2004 - Project Details

The federal government requires the state to maintain an up-to-date listing of tobacco dealers yet the State has not passed along the cost to maintain this list to tobacco dealers. The Division of Taxation is in the process of instituting an annual \$50 renewal fee that is in line with Connecticut and Massachusetts. The Division of Taxation mailed out 1,650 license renewal applications in January 2005 and expects a 90% compliance rate based on initial returns.

### Charge Cigarette Sales Tax to Distributors

- **FY 2006: \$1,895,581 budgeted**

This is a policy change requiring cigarette distributors and dealers to pre-pay the State sales and use tax on cigarettes at the same time that they purchase their cigarette excise tax stamps from the State. The governor has included this proposal in his FY 2006 budget.

### Consolidate Pharmacy Purchasing

- **FY 2006: \$8,207,899 budgeted**

This idea is to address the 11 separate state-run pharmacy programs, which spend approximately \$180,000,000 annually. The programs range in size, serving anywhere from 500 to over 176,000 clients, for a total population served in excess of 291,000. Over 3,000,000 prescriptions are filled annually. Some of the programs purchase and distribute prescriptions to individuals while others purchase and manage prescription programs but do not distribute. A review of pharmacy practices has begun to determine the best method to create a single management structure for the coordination of purchasing, distribution, and claims processing. Combining purchasing power and streamlining program management is expected to result in at least a one percent savings of annual spending.

The Office of Health and Human Services (OHHS) is addressing the remaining State administered pharmacy programs. A Drug Discount Advisory Committee has been created with initial focus in four areas: (1) the Department of Corrections; (2) the Training School; (3) the Department of Mental Health, Retardation and Hospitals, Division of Behavioral Health (CMAP); and (4) the Department of Elderly Affairs (RIPAE). This approach is consistent with the recommendations made in 2003 on public pharmacy purchasing practices that was funded by the Heinz Foundation at the request of the General Assembly.

### Hone Emergency Room Rates to Reflect Treatment Cost

- **FY 2006: \$2,019,128 budgeted**

Medicaid funds are being spent on primary care for clients in Emergency Rooms (ER) - at set emergency room rates. ER rates are nearly four times higher than office visits for similar non-urgent diagnoses. DHS should institute a policy to pay for ER services based upon diagnoses. Also, DHS can provide an incentive for ER's and hospitals to refer clients to more appropriate settings, or DHS can work with clients to offer alternative settings for urgent care. Under a FY 2006 budget initiative proposed by DHS, payments for Rite Care emergency department visits will be reduced, beginning with the new contract in January 2006. The initiative requires Rite Care Health plans to pay no more than the outpatient hospital visit rate for a group of diagnoses/conditions that can be more effectively and efficiently managed in a hospital clinic, urgent care, or physician's office setting.

### Better Customer Service, Tighter Controls and Lower Costs

#### Improve Staff Development in Human Services

- **Savings through 2/28/05: \$7,460**

- **Additional Savings through 6/30/05: \$3,600**

The Office of Health and Human Services (OHHS) recommended the creation of a Institute for Professional Development and Training in Human Services at the Rhode Island College School of

## Fiscal Fitness Status Report for 2004 - Project Details

Social Work (RIC) as a means of coordinating and improving staff training across the five health and human service departments.

OHHS, RIC and the five OHHS departments have agreed in principle and worked jointly to complete a report entitled: "Institute for Professional Development and Training in Human Services." The completed report identifies the next steps and has been accepted by the directors. This review resulted in a greater appreciation of training needs at the departments, which precludes implementing portions of the original idea.

Training opportunities have been expanded by opening training events sponsored by DCYF to participation by other departments, MHRH is working with DEA to develop and present a technical training event identified as a priority by DEA. Additionally discussions have been initiated to explore other opportunities for collaboration to further increase fiscal saving.

### Reorganize Long Term Care

- **FY 2006: \$583,655 budgeted**

At present, DHS maintains several Long-Term Care (LTC) locations. Staff can be merged to a central office in Cranston and the Department of Elderly Affairs funded community centers can be used to offer long term care candidates and their families the outreach, eligibility, and support services they need. Central facility staff can improve eligibility verification mechanisms. Policies and rules that effect LTC eligibility can be tightened through controlling liens, annuities, out-of-state property transfers, and increase opportunities to recoup payments for LTC costs. DHS staff has large caseloads and cannot monitor asset transfers from long term care recipients. Assets can be transferred before staff is aware and resources to pay for the cost of long term care are lost. Using a lien mechanism would provide the State a way to recoup proceeds from the home sale of a LTC recipient. Currently, RI has no knowledge of the sale and no access to the proceeds. The "Medicaid Maximization" contract to monitor and manage State spending in this area has been accepted as an alternative idea to long-term care reorganization. DHS has pursued Medicaid efficiencies through the use of this mechanism. In addition, DHS has submitted a FY 2006 budget initiative to review Medicaid expenditures in long-term care by reviewing nursing home acuity at 45 days after admission. Eligibility for nursing home stay will involve medical and acuity review and alternative lower cost care will be offered if medically appropriate.

### Improve Child Support Processes

#### Direct Deposit of Child Support Payments

- **Savings through 2/28/05: \$10,384**

**Additional Savings through 6/30/05: \$5,192**

**FY 2006: \$15,575 cost avoidance**

Direct deposit of Child Support payments was offered to all customers in November of 2004 as an optional service. Mailings were sent to all customers who receive child support informing them of this new service. Almost 2,000 customers have signed up for this service which is more convenient for them and saves the State processing costs.

#### Mail Initial Court Summons

- All summonses to appear in court are hand delivered. Guaranteed mail delivery of these summonses, for the initial court appearance, would achieve an estimated 34% general revenue savings. The Family Court completed a pilot program. The Administration is working through implementation issues with the Judicial Branch.

## Fiscal Fitness Status Report for 2004 - Project Details

### Use Alternate Process for Order Establishment

- It is recommended that an administrative process be used to establish child support payments in cases that are not contested. The administrative process will be more efficient and result in improved customer service. The Administration is working through implementation issues with the Judicial Branch.

### Electronically Download Daily Bank Files

- **Savings through 2/28/05: \$13,667**

**Additional Savings through 6/30/05: \$2,733**

**FY 2006: \$8,200 cost avoidance**

Instead of printing and filing daily electronic fund transfers, the Department of Taxation now downloads and stores them in computer files. This saves employee time and office supply costs.

### Eliminate Unfunded Property Tax Relief

- This idea looked to eliminate the property tax relief program for persons with an income of less than \$30,000. The program had been unfunded yet the State still had to process applications. Last year when the revenue estimates were more favorable it was decided to fund the program. For FY 2006, the Governor again proposes elimination of Tier II payments to those under 65 years of age and or not disabled.

### Improve Access to Criminal Background Checks

- Fiscal Fitness will look to centralize BCI and NCIC checks across the Health and Human Services agencies. DCYF, DEA and MHRH conduct basic criminal investigations (BCI) and National Criminal Identification Center (NCIC) background checks as required in State and/or Federal law, regulation, and/or policy for direct care staff and providers. The current process is a cumbersome process requiring providers to initiate these checks through their local police departments or through the Attorney General's Office. The process often delays licensing of providers and/or hiring new direct care staff. DCYF has improved their internal procedures to expedite the BCI process by acquiring remote access and is working to refine the process by improving access to NCIC.

### Videoconferencing

- Video conferencing has been instituted to allow incarcerated prisoners to communicate with the court and legal counsel while reducing the transportation costs. The Administration is working through implementation issues with the Judicial Branch.

### Work in Progress

#### Consolidation of Professional Licensing Functions

- Commercial licensing within the Department of Business Regulation (DBR) is responsible for occupational licensing and enforcement. Examples of regulated professions include: real estate agents, alarm installers, upholsterers, auctioneers, travel agents, etc. The Department of Labor and Training (DLT) also conducts trade licensing and enforcement. Examples of DLT professional licensing responsibility include electricians, plumbers, hoisting engineers, pipe fitter/refrigeration specialists, and telecommunication technicians. The Department of Environmental Management issues professional licenses throughout its entire department and is responsible for, among others, arborists, nursery stock dealers, and commercial applicators. Further, the Board of Accountancy is an autonomous board whose responsibility includes processing applications and issuing licenses to CPA's and public accountants. Processes among the various licensing entities are essentially the same and should be moved to DBR's commercial licensing unit. A single statewide occupational

## Fiscal Fitness Status Report for 2004 - Project Details

licensing and enforcement agency will allow several divergent processes to be standardized, allow for increased technological enhancements, and simplify service delivery with a single stop for most professionals.

### Hire Tradespeople

- Fiscal Fitness recommended hiring tradespeople to reduce reliance on expensive outside contractors. The creation of the Division of Facilities has allowed for increased State personnel to perform tasks. This initiative will be implemented in concert with the completion of the statewide facilities centralization.

### Correctional Facilities - Consolidate Women's Prisons

- Fiscal Fitness recommended consolidating the two correctional facilities for female offenders. This idea is being integrated into the Department of Corrections long term capital planning.

### Create the Office of Chief Financial Officer

- The goal is to establish an Office of Chief Financial Officer to oversee all finances under the control of the executive branch of government, including: Accounts and Control, the Budget Office, and capital development activities. Several items associated with this idea are scheduled to be implemented next year. They include:
  - *Integrating the Budget Office and Accounts & Controls with the Chief Financial Officer*
  - *Improving Financial Management Through Changes in the Audit Functions*
  - *Redesign Budget Measurement Process*
  - *Streamline Budget Approval Process*

After further review, it was decided not to pursue transferring the DOT Auditors to the Bureau of Audits.

### E-mail Consolidation

- Individual agencies maintain and operate their own E-mail servers. There is no consistency in technology. In consolidating E-mail servers, the State will realize savings from reduced hardware, software, maintenance, and replacement costs. Many of the people assigned to support these servers can be redeployed to higher-value services. In addition, service levels, disaster recovery planning, and integration between E-mail platforms would improve. The first phase of this project is complete and has resulted in increased productivity from staff due to a dramatic decrease of SPAM being received by the State. When fully implemented, elimination of contractors should save \$225,000 annually.

### Consolidate Computer Helpdesks

- The Division of Information Technology proposes to consolidate computer helpdesk support and reduce the number of contracted staff. The goal of this initiative is to reduce the number of PC assistance calls and the associated cost of support. This will be accomplished by standardizing PC configurations and by establishing a centralized call center, including the installation of software where problem diagnosis and resolution can be performed remotely. The Department of Administration is the first agency to deploy this process. The centralization of the Department of Administration helpdesk is in process as well as consolidation with the Department of Corrections helpdesk. When implementation is complete, this idea will save approximately \$600,000 in contractor costs annually.

### Statewide Server Consolidation

- Individual agencies purchase, maintain, and support their own application servers. This has resulted in a hodgepodge of different technologies that are expensive and difficult to maintain and support. By consolidating servers and server management, the State can realize significant savings through the elimination of redundant hardware, software, maintenance, and support services. In addition, service levels are expected to improve based upon common practices, skills, back-up and recovery, and the use of proper operations management tools. This idea will be implemented after helpdesk and e-mail. There will be some overlap in implementation as none of the projects have one-year implementation plans.

### Process Mail Barcode In-house

- The original idea to purchase equipment and bring the mail processing in-house has been placed on hold due to space limitations at the current processing facility. However, we expect savings when the contract is rebid in August 2005.

### Consolidate/Improve Mail Delivery Service

- Multiple state agencies have staff and/or private contractors who provide inter-office mail delivery services. By consolidating and centrally managing mail delivery services, the State can eliminate redundant routes and the need for private contractor delivery service. Currently a plan is being developed regarding routes, times, and staffing needs.

### Consolidate Mail Rooms

- The Department of Human Services (DHS) currently operates its own mail facility. In merging the DHS mail facility with the central State facility, the State will realize equipment, maintenance, facilities, and staff savings.

### Improve Discharge Planning for Psychiatric Hospital Services

- Children who require acute psychiatric hospital level care are, in several instances, remaining in the hospital much longer than necessary. This is costly and oftentimes not the best service for the child. Improved discharge planning is needed. Contract monitoring protocol should be developed, better utilization monitoring should occur, and improved quality assurance mechanisms should be instituted. This will mean that children who require non-hospital level care will get the level of care that they need and inpatient resources will be freed to improve community care.

DCYF has developed a utilization review process for children's psychiatric hospitalizations. At the same time, DCYF is working to establish more "step down" programs and alternative programs to hospitalization. This idea is being combined with the overall effort to improve children's behavioral health.

### Enforce Five-year Maximum for Temporary Assistance to Needy Families

- The Temporary Assistance to Needy Families (TANF) federal law establishes a five-year time limit for federally funded cash assistance. RI's welfare reform law also allows for five years, but does not count benefits received in other jurisdictions. A beneficiary could move from another state after exhausting their five years of TANF and be guaranteed five additional years in RI. Most states (39) count the benefits received in other states; RI does not. The Department of Human Services developed several options for implementing recommendations to the TANF/Family Independence Act (FIA) for the FY 2006 budget. The Governor decided to establish a group to explore the entire TANF program and suggest a broad range of reforms pending federal re-authorization of TANF.



### Reduce Formal Hearings

- Beneficiaries of DHS programs can request a hearing if their benefits are denied or terminated. In many instances, benefits continue during the appeal period. The number of hearings held annually increased 65% over the last 4 years. DHS prevails in 95% of hearings. The options DHS can take to address the growing number of hearings include, clarifying the basis for agencies decisions in the closing and denial letter to beneficiaries, scheduling field adjustment conferences for all Medical Assistance denials, and using alternative dispute resolution mechanisms such as mediation in the local office. The State will save resources by reducing the duration of time that clients continue to receive benefits while awaiting a hearing decision. DHS has not been able to achieve benefits in this area because alternative forms of dispute resolution require staffing resources. OHHS will assign this issue to its policy workgroup to determine if alternative mediation is possible to reduce the number of hearings.

### Move a Portion of Adults to Managed Care

- There are currently 23,116 Medicaid funded adults with disabilities. This population accounts for 37% of all Medicaid expenditures, and their costs increase substantially each year. Using managed care to provide health services for adults with disabilities has the potential to lower cost and improve access to integrated health services. DHS has already shown cost savings using a disease management model and many other states have shown cost savings with managed care for this population. This estimate is based upon a four percent reduction in medical costs if 20% of the caseload were entered into a managed care model that includes disease management. The Department of Human Service has begun a limited managed care program and is planning to implement a managed care program some time in calendar year 2006.

### Create a Single Contract and Service Procurement Office

- Each of the five human service agencies purchase services without consistent coordination. Variations in contract content, scope, cost setting methodologies, deliverables, reporting, and actual cost affect product quality and client outcomes. Also, they result in confusion and inconsistency for provider groups. Sometimes several different departments will use the same provider and the contract language, reporting mechanisms, and service cost will differ. Coordination of procurement will standardize prices, vendor qualifications, deliverables, and client group descriptions. Through combining efforts, the State's ability to negotiate and coordinate the scope of service, costs, and performance measures will improve. Better client service will occur at a reduced price to the State. Experienced service purchasing experts were asked to estimate the potential savings from centralizing and managing procurement based on their experience. Initial conservative estimates of savings are projected to be one percent, but may increase over time.

A study was completed reviewing indirect costs for community-based contractors for all health and human service agencies. A strategic plan has been developed to implement the procurement office.

### Children's Behavioral Health

- The cost of children's mental health and substance abuse services is one of the fastest growing costs in the State budget. Staff from various health and human service agencies who are responsible for child health and welfare will be refocused on improving the public system of children's behavior health, including cost, quality, and delivery of services. Groups under consideration include staff from the Department of Health's Division of Family Health and from the Center for Children and Family Health at the Department of Human Services. This staff contingency will provide a needed focus on psychiatric hospitalization and alternative care for high need children and youth. Savings will be achieved through a reduction in the costs of psychiatric hospitalization through expanded community based treatment options, and the redesign of Children's Intensive Services.

## Fiscal Fitness Status Report for 2004 - Project Details

The Office of Health and Human Services is presently considering the creation of an interdepartmental request for proposals (RFP) group to assure better outcomes for children with behavioral health challenges.

### Field Operations

- The Department of Human Services (DHS) operates six regional offices for low-income families to access various public services. The Department also operates five satellite offices. Caseloads for eligibility screening staff are quite high. Staff reports that they are unable to continue to monitor eligibility and check income records to determine continuing eligibility with current caseloads and staffing levels. Field operations could be modified and improved by closing two regional offices and referring clients to the remaining offices. The five satellite offices are labor intensive and not cost effective. Clients would have to travel to the six DHS offices if the satellite offices were closed. Staff would be reassigned to the remaining offices allowing more time to monitor DHS program eligibility. Fiscal Fitness also recommended hiring more multi-lingual field workers to decrease reliance on interpreters. DHS now has a policy to hire multi-lingual staff when they are qualified but this has not generated interpreter services savings because of the expanding needs of the minority population served. This idea is on hold because although DHS is pursuing minority-based hiring practices, the need for interpreter and cost for interpreter services has not been reduced to meet the changing needs of the population served.

### Reduce Medicaid Funded Adult Psychiatric Hospitalization

- Adults covered by Medicaid fee for service utilize approximately 30 psychiatric beds per day at a per diem cost of \$750, representing a total annual cost of \$8,212,500. The State cost for this care is about \$3 Million. There are no effective utilization review mechanisms or program incentives to provide lower cost and higher quality care. Other states have developed acute psychiatric care hospital alternatives and utilization review mechanisms that have reduced utilization by as much as 40%. Fiscal Fitness suggests the development of three care options for adults who require psychiatric hospitalization, including: (1) crisis beds; (2) crisis management teams and, (3) utilization review (UR) mechanisms. These options will produce better client outcomes at a lower cost to the State.

### Consolidate Workforce Investment Boards

- Two "local" workforce investment boards provide training for Rhode Island workers under the federally funded Workforce Investment Act (WIA). Both local agencies receive funds from the federal Department of Labor through the State Department of Labor and Training. By combining these into a single statewide workforce investment area that provides training to Rhode Islanders under WIA, administrative overhead spending can be reduced and those funds made available to increase training opportunities. The result will be 67% of available local dollars spent on training or a net of \$2 million redeployed from administrative overhead for that purpose. Staff savings can be also be achieved.

### Reduce Overtime Costs

#### Department of Children, Youth, and Families

- There are ongoing overtime costs at DCYF in three program areas: - The RI Training School, Child Welfare, and Child Protective Services. Overtime can be reduced in each of these areas by: (1) adding full-time staff (on a provisional/limited basis) to the Training School; (2) developing flexible work rules and, if possible, off-hour staffing alternatives in the Child Protective Services area, and (3) allowing Child Welfare social workers flexibility in their schedules. Reducing overtime in these areas is an important step in improving the overall management of the DCYF workload, quality of services to clients, and staff morale and productivity.



## Fiscal Fitness Status Report for 2004 - Project Details

Training School: During the past nine months, 17 new staff were hired, 14 remain. Overtime is projected to decrease with present complement of staff.

### Department of Transportation

- DOT had approximately \$4.5 million in overtime cost in both FY 03 and FY 04. Through better scheduling and more monitoring by managers, overtime can be significantly reduced. For example, seasonal work shifts can be created for certain functions. Temporary staff assignments from other agency sections could be made. Revised overtime guidelines - consistent across DOT - should be enacted. DOT has made some progress in reducing overtime in the maintenance division. A comprehensive department wide approach is in the works.

### Consolidate Water Functions

- Currently, four agencies are involved in water resource management. In many cases, these agencies provide similar and overlapping versions of the same functions. Each agency provides stand-alone administration and data-management systems. Current coordination is inefficient.

Fiscal Fitness recommended that the Department of Environmental Management (DEM) absorb all permitting, land management, infrastructure design-review, compliance monitoring, and enforcement and administration functions. Planning functions were to be split between DEM and the Statewide Planning Program, which would also house the administration of the Water Resources Board. Savings from consolidation will include staff reductions through attrition, elimination of data-management systems, and ending a Coastal Resource Management Council CRMC legal contract.

Includes:

- *Consolidation Coastal Resources Management Council (CRMC) into DEM*
- *Termination of a CRMC Legal Contract*
- *Elimination CRMC-Specific Technology Projects*
- *Movement of Staff from Environmental Health to DEM*
- *Transfer Land-Management and Design-Review Functions to DEM from Water Resources Board (WRB)*
- *Termination of WRB Lease*
- *Elimination of WRB-Specific Technology Projects*
- *Merge Administration of the Water Resource Board and its Long-Term Planning Functions into Statewide Planning.*

### EZ Pass

- The Rhode Island Bridge and Turnpike Authority (RIBTA) is examining the feasibility of instituting a uni-directional, automated toll collection system on the Pell Bridge. Fiscal Fitness is working with the RIBTA to plan for the implementation of an automated toll system. Surveys were distributed to bridge customers last summer and are being evaluated. Fiscal Fitness staff has traveled to New Hampshire to review their newly implemented EZ Pass system. A questionnaire is being sent to several states requesting information on set-up and ongoing costs, number of toll collection booths and staff, administrative processes and costs, and customer charges.

### Automate Collection of Real Estate Data for State Aid

- The State Aid Program unit collects real estate data from cities and towns and calculates the community wealth portion of the State aid to education formula. The major portion of the work is

## **Fiscal Fitness Status Report for 2004 - Project Details**

performed using a labor intensive and time-consuming paper process. Cities and towns report this data in a variety of formats. The current computer software used to collect the information is a proprietary system that is not user friendly. The entire data collection process should be streamlined and data collection should be automated. The collection of data and its distribution will be transferred to the Budget Office.

### **Records Retention**

- Without approved schedules to determine which state records can be destroyed, the State has been paying to store out-dated, unnecessary records. The Administration has agreed with the Secretary of State's Office that the development of record retention schedules for the Divisions of Accounts and Controls, Purchases, and Human Resources are high priority. The Division of Taxation schedule is also near completion. The adoption of these schedules will help the Department cull through more than 20,000 boxes stored at Capitol Records. It will also allow other State agencies to destroy duplicate records that they legally have retained in the absence of a central record retention schedule in these areas. The Department of Administration has assigned staff to coordinate this process beginning in February 2005.

### **Consolidate Collection & Audit Functions**

- Combining all Tax Division collectors and auditors into a single branch would leverage federal resources and provide improved customer service to the business community by providing only one point of contact for tax issues.

### **Close NetWORKri Office**

- There are six NetWORKri "one-stop" employment centers across the State offering employment and training services to RI workers. DLT is the lead agency and major funder of the "one-stops" and works cooperatively with DHS and the local workforce investment boards. The Bristol/Warren site is far less utilized than the others. Closure of this underutilized office and sale of the building would yield substantial federal savings, which could then be reallocated for improved and increased services to clients in high-traffic areas. The department is continuing to study this initiative with an eye toward implementation.

### **MBE, EOO, O&D Reorganization**

- Within the Office of Personnel Administration (OPA), three separate units perform functions relating to equal opportunity and workforce diversity: the Equal Opportunity Office (EOO), the Office of Outreach and Diversity (O&D), and the Minority Business Enterprise (MBE) Program. The work currently performed by these separate units is not coordinated and does not address the needs of the agencies. EOO and MBE also perform contract compliance/approval functions that directly relate to the work performed by Central Purchasing. EOO and the Outreach and Diversity Office (O&D) should be added to an OPA Office of Equal Opportunity & Diversity. Consolidation and automation of reporting processes will allow the State to increase the quality of service. Also, transferring the MBE and the EOO contract approval function to Central Purchasing will provide increased efficiency and consistency of service.

### **Presently Deferred**

#### **Move Select Agencies from Leased Space to State-Owned Property**

- Fiscal Fitness proposed an ambitious plan to renovate State facilities in Cranston that would allow for the cancellation of several large office space leases and the sale of two commercial properties. The bond issue funding renovations was denied by voters. One project, the move of DMV operator control from leased space in Pawtucket to Harrington Hall at the Pastore Center has been completed. The

## Fiscal Fitness Status Report for 2004 - Project Details

State expects to recuperate the cost of the renovations within the first two years of operations and save significant funds in the future.

### Create a Department of Homeland Security

- The following security agencies will come under the umbrella of Department of Homeland Security: National Guard, E-911, and the Emergency Management Agency.

A single, unified homeland security structure is needed to better address disaster response and relief efforts of the various entities now responsible for those functions. Additionally, with increased resources and responsibility, the EMA needs to be elevated to a stand-alone entity separate and apart from the National Guard.

This idea is on hold pending the statewide administrative and human service reorganizations.

### Create a Department of Public Safety

- The following public safety agencies will come under the umbrella of Department of Public Safety (DPS): State Police, Sheriffs (including Capitol Police), State Fire Marshal (includes the State Fire Academy), Fire Safety Code Board of Appeal and Review, and Municipal Police Training Academy.

A DPS will provide better inter-agency communications through a single public safety reporting structure. DPS will promote and provide consistency and uniformity in policies and procedures, improve training of all new and incumbent public safety personnel, and provide the opportunity to maximize the State's available public safety resources and equipment in an efficient and cost effective manner. The State and Municipal Police as well as the Corrections and Sheriffs Training Academies should be unified into a single criminal justice training academy. Fiscal Fitness ideas include:

- *Create a Department of Public Safety (DPS)*
- *Appoint Department of Public Safety Director*
- *Transfer Parole Board from Department of Corrections to DPS*
- *Eliminate In-house Legal Counsel*
- *Transfer State Fire Marshal to DPS*
- *Transfer Fire Safety Code Board to DPS*
- *Transfer DOH Forensics Lab to DPS*
- *Create Unified Criminal Justice Training Academy*
- *Transfer RISP to DPS*
- *Transfer Sheriffs to DPS*
- *Consolidate Capitol Police with Sheriffs Division*

This idea is on hold pending the statewide consolidation of administrative and human service functions.

### Transfer Aerial Photos to State Archives

- The passage of the bond issue to renovate the Cranston Street Armory as the new State archives would have provided funding to create a state-of-the-art facility for the State's archives, including providing space for the aerial photos now housed at the Department of Administration (DOA). The voters did not pass the initiative. It has been decided to continue to maintain the aerial photographs within DOA given the lack of capital to create a facility for them. This plan is now being reconsidered.

### Transfer Police-Fire Relief Fund to State Treasurer

- The Department of Labor and Training has prepared legislation to transfer the administrative duties associated with the Police Officers' and Fire Fighters' Relief Fund to the General Treasurer's Office. The purpose of the fund - to provide financial and educational support to the families of police and firefighters who have died or been disabled on the job - is more similar to the administration of the State's retirement system administered by the General Treasurer than to the programs at the department.

### Comply with Federal Pass-through Payment Requirement in Human Service Program

- **Savings through 2/28/05: \$350,000**

The federal government use to stipulate that Family Independence Program (FIP) clients could keep the first \$50 of monthly child support payments made to the State (so-called DEFRA payment). This rule was changed in 1996. Complying with federal rules will result in State program savings (the pass through is 100% State funded) and eliminate the disparity that exists for FIP participants who do not receive child support payments. The Governor instituted this idea the April 2004. In June, the General Assembly restored the payments through legislation. Savings, noted above, were accrued from April thru June of 2004.

### Transfer Employee Services

- Transfer only no savings estimated

The Employee Services Unit within the Office of Personnel Administration performs activities that are similar to those in the Central Business Office. This idea was cancelled after a reevaluation of the functions found that there was not a clear advantage to relocate the functions.